

WorkFirst Compared to AFDC in Washington State

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Temporary Assistance for Needy Families (TANF) was adopted to replace Aid to Families with Dependent Children (AFDC) in 1997 for a number of reasons. It replaced the AFDC concept of providing a guaranteed level of income support with a TANF concept that public assistance was temporary, that work provided the best opportunity for families to raise their income and leave poverty, and that recipients had an obligation to work or participate in services that helped to find work or improve employability in exchange for support. States were allowed to exempt some adults from these requirements. To emphasize the temporary nature of assistance, the TANF program set a 60 month time limit on receipt of TANF benefits by adults.

This paper examines how eligibility for and participation in TANF differs from that in AFDC, both nationally and in Washington State, using data from the Urban Institute's Transfer Income Model (TRIM3). This analysis shows that both eligibility for and participation in TANF dropped substantially from eligibility for and participation in AFDC. The drop-off was particularly pronounced for households headed by adults with educations at the high school (or equivalent) level or beyond. These are the adults most likely to be able to find jobs and leave assistance given TANF rules and supports.

Unfortunately, much less progress was made by adults who lack a high school education (or equivalent). In Washington State, they are eligible for and participate in TANF services at the same rates that they did under AFDC. Since the most recent TANF data in the TRIM3 model dates from 2006-07, results are likely far worse in today's economic climate than the data available for this analysis shows.

AFDC in Washington State

The Family Income Study, conducted by the Washington State Institute for Public Policy between 1987 and 1992, contains a detailed description of the dynamics of the AFDC program as it existed in the early 1990s. Russ Lidman's summary of Family Income Study findings¹ provides a good baseline description of that program. Data on women receiving AFDC and a comparison group of low-income women who did not use public assistance were collected in several survey waves, allowing the study to identify factors that distinguished women who used AFDC from those who did not.

Women's employment and work experience strongly influenced their welfare use. Women with higher levels of education (high school completion or above) were generally able to obtain higher wages. This, in turn, increased success in leaving and staying off

¹ Russell M. Lidman, *The Family Income Study and Washington's Welfare Population: A Comprehensive Review*, Washington State Institute for Public Policy, Olympia, Washington, October 1995. Available at: <http://www.wsipp.wa.gov/rptfiles/fisreview.pdf>

assistance. AFDC women had different backgrounds and different needs. They were classified into six subpopulations, based on self-reported survey responses.

Almost 70% of AFDC women fell into four subgroups classified by education and work experience:

- Women with a high educational level (high school diploma or more) and high level of work experience (501 hours or more per year) made up 10% of AFDC women. They were expected to need modest job search assistance.
- Women with a high educational level but low level of work experience made up 20% of AFDC women. They were expected to benefit from more intensive job search together with vocational education.
- Women with a low educational level (no diploma or a GED only) but a high level of work experience made up 10% of AFDC women. They were expected to benefit most from intensive training or education but to need only modest job search.
- Women with low educational level and low level of work experience made up 29% of AFDC women. This group was expected to need the most intensive assistance --with education or training and job search--and would be the most difficult to connect with the labor force.

The remaining 31 percent of AFDC women included 16% who regarded themselves as unable to work due to disability and 15% who regarded themselves as unable to work because they needed to care for an infant at home.

The report suggested that the most efficient ways to provide services would be to target specific services to specific subpopulations. Case management would be necessary to customize services to individual AFDC women. In general, this type of approach has been applied in the implementation of TANF.

The Family Income Study also documented a number of characteristics and dynamics of the AFDC population that are useful to understand as we make comparisons between AFDC and TANF programs.

Factors predicting AFDC use included:

- 52% of AFDC mothers first became mothers as teenagers, although they did not necessarily enter AFDC at that time. Their median age of first AFDC as a parent was 23.
- 41% of AFDC women had no educational degree or diploma. Another 17% had a GED instead of a high school diploma. Employment and earnings results for women with GEDs were similar to those for women without diplomas.
- 75% of AFDC women with high work experience but low education level became pregnant as teenagers, as did almost two-thirds of the low-education low-work experience group.
- Women who became mothers as teenagers were twice as likely as recipients who were not teenage mothers to lack a high school diploma. This lowered the wages

they could obtain from work and reduced their chances for long-term exit from AFDC.

- Teen mothers who dropped out of school were as likely to drop out first and become pregnant later (53%) as to become pregnant before they left high school (47%). The median length of time between dropping out and later becoming pregnant was one year.
- 33% of AFDC mothers had been children in households that had used AFDC. They were about twice as likely as low-income women in the comparison sample to have received AFDC as a child.
- AFDC women were more likely to have reported sexual or physical abuse while growing up (47%) or as adults (60%) than the comparison low-income women who did not receive AFDC (35% in both age ranges).

Race played a small, inconsistent, role in explaining welfare dynamics, mainly through differences in employment and earnings. AFDC did not appear to change birth rates among recipients or lead to the creation of single-parent households. Geographic location, disability, and health of parent or child did not appear to be strong factors predicting AFDC use. Three fourths of parents relied on informal care, rather than paid child care for children under 6, and most recipients did not cite lack of child care as a barrier to leaving AFDC.

Transition from AFDC to TANF

Implemented in 1997, TANF changed a number of expectations and rules for public assistance. Over the decade that followed, caseloads dropped substantially, from 96,000 households to 52,000 households – from over 5% of Washington’s population under AFDC to less than 2% under TANF. We’ll look at eligibility and participation by subgroup shortly. It is worth examining some of the basic eligibility and rule changes first to see how those changes translate into participation changes.

One of the biggest differences between AFDC and TANF was a change in the proportion of parents required to participate in work or work activities. Under AFDC, parents were not required to participate in job search or training activities until their youngest child reached age 6. In current terms, only about 40% of single parents would be mandated to participate due to child age. Under TANF as implemented in Washington State, 70 to 75% of single parents are expected to work or participate. Parents are now expected to participate in work related activities once their youngest child reaches age 1.²

A second difference involves time limits on assistance. This difference is probably larger in other states than it is in Washington. Adult recipients are limited to receiving 60 months of TANF benefits under both federal and state law. However, federal regulations allow states to exempt up to 20% of their caseload from this time limit. In practice,

² AFDC and TANF both have a number of exceptions and qualifications to work requirements which are glossed over in this discussion.

Washington State has exempted parents from this 60-month limit as long as they meet work participation requirements.³

In terms of actual activities, 12 to 16% of parents participate in job search under TANF, as compared with no more than 5% under AFDC. Participation in educational components are also higher under TANF, with 5 to 6% participating in vocational components (compared to 3 to 4%) and 8 to 10% participating in basic education (up from 2 to 3%).⁴ TANF is a more service-rich program in part because more parents are required to participate. Note also that the service mix has shifted more heavily towards job search and basic education under TANF than had been the case under AFDC.

National Changes in Eligibility and Participation - Many Left the Program

The transition from AFDC to TANF has been subject to a number of studies at the national level. A recent study by the United States Government Accountability Office (GAO)⁵ does a good job summarizing changes in program eligibility and participation between AFDC and TANF using the Urban Institute's Transfer Income Model (TRIM3).⁶ The study compared national data for 1995 (under AFDC) and 2005 (the most recent TANF period available at the time of the study).

Eligibility for TANF in the TRIM3 model is simulated by identifying families with the correct composition, income, and resources to participate in TANF, according to local state program rules. The number of families who were eligible for TANF cash assistance in 2005 (as opposed to AFDC in 1995) fell by 7%, from 5.69 million families per month to 5.27 million per month. Some of this decline occurred due to rule changes between AFDC and TANF, but the most important factors were the higher employment and earnings of women and families in 2005.

Public assistance caseloads dropped by more than 50% over the same time period, from 4.8 million families on AFDC in 1995 to 2.13 million families on TANF in 2005. This

³ Five other states appear to take a similar approach: California, District of Columbia, Maine, New York, and Vermont. See <http://anfdata.urban.org/databooks/Databook%202008%20FINAL.pdf>

⁴ These comparisons are very general given changes in service definitions over time and lack of good historical information on AFDC. Figures for TANF come from OFM Chartbook data. Figures for AFDC come from the comparison group information in: Sharon K. Long, Demetra Nightingale and Douglas Wissoker, *Evaluation of the Washington State Family Independence Program*, Urban Institute Report 94-1, Washington, DC, 1994.

⁵ _____, Temporary Assistance for Needy Families: Fewer Eligible Families Have Received Cash Assistance Since the 1990s, and the Recession's Impact on Caseloads Varies by State, US General Accounting Office, Washington, DC, February 2010. Copies available at: <http://www.gao.gov/products/GAO-10-164>

⁶ The TRIM3 Transfer Income Model is a comprehensive Microsimulation model developed and maintained at the Urban Institute for the Department of Health and Human Services. TRIM3 simulates major governmental tax, transfer, and health programs that affect the US Population and can produce results at the individual, family, state and national level. It uses Current Population Survey data on the population characteristics and a database of state-specific TANF program rules to produce estimates of the size of populations eligible to participate and participating in TANF. Modeled participation levels are adjusted to match actual program participation levels by State.

drop did not come, in the main, from changes in the number of families with children who were financially eligible for assistance, but from change in participation rates among eligibles. In 1995, 85% of families eligible to participate in AFDC received benefits. In 2005, the participation rate of eligible households was only 40%. GAO reviewed TANF research to help explain this change. According to GAO, the decline in participation reflected families' decisions about whether to apply for TANF, and for those who did receive assistance, when to leave the program. State policies on participation requirements, program time-limits, and sanctions for non-compliance with program rules, and diversion programs also affect entry to and length of stay on TANF. Chief among these rules was the requirement to participate in work or work activities under TANF. Under AFDC fewer participants were required to fulfill work requirements.

The Washington Experience – Who Left the Program Here?

TRIM3 data suggest that eligibility and participation rate changes in Washington State were similar to those at the national level. Washington data was prepared by averaging AFDC data for the years 1995 and 1996 and TANF data for 2005 and 2006 to get larger sample sizes and more stable estimates. Results for adults, nationally and in Washington State are shown in Table 1.

Results shown in Table 1 are for adults, not for households (used in the GAO analysis) but the results are similar. In 1995-96 roughly 4.0 to 4.5% of adults were eligible to participate in AFDC by income and family composition. Some 3.2 to 3.6% participated, for a participation rate among eligibles of 80%. The percent of adults eligible for TANF in 2005-06 dropped in the United States as a whole (though not in Washington State) but the drop in eligibility was much smaller than the drop in participation among eligible adults. By 2005-06, only 48% of Washington adults eligible to participate by reason of income and family composition received TANF benefits. Nationally, participation was even lower -- 39%.

Table 1
Percent of Months That Adults in Washington State and the United States
Were Eligible for and Participating in AFDC (1995-96) or TANF (2005-06)

	AFDC 1995-96			TANF 2005-06		
	Eligible	Participating	Rate	Eligible	Participating	Rate
Washington	4.0%	3.2%	80.0%	4.1%	2.0%	48.2%
United States	4.5%	3.6%	80.1%	3.8%	1.5%	39.4%

SOURCE: TRIM3 project website, <http://trim3.urban.org>, downloaded during the week of May 3, 2010.⁷ Figures are for the percent of months in the years shown that adults were eligible for or participated in AFDC or TANF.

⁷ Information presented here is derived in part from the Transfer Income Model, Version 3 (TRIM3) and associated databases. TRIM3 requires users to input assumptions and/or

Table 1 establishes that changes in participation rates among eligibles were the primary factor in reduced TANF use in Washington State, as in the United States as a whole. What Table 1 does not reveal is whether the drop in participation was similar among all types of low-income parents or different for different subgroups.

Table 2 shows results for Washington State adults in AFDC and TANF broken down by the highest grade completed by those adults. Adults, mostly women, with higher levels of education (who made up at least 30% of the AFDC population without disabilities or young children in the Family Income Study) had relatively low rates of eligibility for AFDC or TANF. Participation rates dropped from around 80% of eligibles under AFDC to close to 40% of eligibles under TANF for this group. Eligibility did not change all that much, but the combination of TANF work participation requirements and other features led to a substantial drop in participation.

Table 2
Percent of Months That Adults in Washington State
Were Eligible for and Participating in AFDC (1995-96) or TANF (2005-06)
By Level of Education

Highest Grade Completed	AFDC 1995-96			TANF 2005-06		
	Eligible	Participating	Rate	Eligible	Participating	Rate
LT High School	10.4%	5.8%	55.9%	12.1%	6.8%	55.9%
Diploma or GED	4.1%	3.3%	79.0%	3.4%	1.3%	37.3%
Post Secondary	2.2%	1.9%	87.6%	2.2%	1.0%	43.8%
Washington	4.0%	3.2%	80.0%	4.1%	2.0%	48.2%

SOURCE: See Table 1.

If the microsimulation results are accurate, the entire decline in public assistance caseloads between TANF and AFDC resulted from reduced participation by relatively well educated parents – the type most likely to find jobs as a result of job search assistance and leave TANF caseloads. Little or no progress was made by less educated adults. Those who lacked a High School diploma or had a GED only made up 39% of AFDC women in the Family Income Study who were non-disabled and were not caring for infants. The portion of this group without a GED was more likely to be eligible for public assistance in 2005-06 than they had been in 1995-96 and had the same participation rate under TANF than they had under AFDC⁸.

interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions presented here are attributed only to the author of this report.

⁸ Unfortunately, TRIM3 data groups people with high school diplomas and GEDs into the same educational category. It is not possible to move adults with GEDs into the LT High School category to make this analysis consistent with the Family Income Study data. According to the Family Income Study, results for women with GEDs were more similar to those for women without a high school diploma than to those for women who had a diploma.

If the microsimulation results are accurate, our system results under TANF are not much different from our results under AFDC for adults who lack a high school diploma. If anything, adults without a high school diploma were more likely to be eligible for TANF in 2005-06 by income and family composition than they were for AFDC a decade earlier. This would occur if the employment and earnings prospects for an adult without a diploma were worse in 2005-06 than they had been in 1995-96.

National results by highest grade completed for AFDC in 1995-96 are quite similar to those shown for Washington State in Table 2. Some 10.1% of adults without a high school diploma were eligible for AFDC nationally, and 6.4% participated, producing a participation rate of 63.3%. However, the national TANF participation rate for adults without a high school diploma dropped to 44.8% by 2005-06, rather than remaining at AFDC levels.

Participation among adults with a high school diploma dropped nationally, rather than remaining unchanged as it did in Washington State. It is unclear whether this difference is an accident resulting from small sample size in data for Washington or reflects a state program that is more accommodating of adults with low levels of education than the average TANF program nationwide. If differences in program design are responsible for the differences in participation rates, Washington's exception policy to the 60-month time limits on benefits is the most likely explanation.

Conclusions for Program Design

Returning to assumptions made in the Family Income Study, it seems likely that Washington's WorkFirst program works fairly well for the relatively well educated portion of the low income population that can be served by job search assistance. This group made up 60% of AFDC women in the Family Income Study (if GEDs are treated like a high school diploma) and 62% of TANF adults in October 2007. This group made up 64% of TANF adults in 2009. The increase may have resulted from deterioration in the economy since 2007.

Eligibility for this group is relatively low, and participation is (or at least was) relatively brief. Maintaining a job search assistance program to assist this group is probably important to provide pathways to employment and to contain program costs. Whether job search assistance is very helpful to adults who have a GED rather than a regular diploma and whether obtaining GEDs those adults is helpful cannot be determined from these data.

Conclusions are less clear for adults who lack a high school diploma. Although we are probably serving adults who lack diplomas than we did under AFDC, we do not appear to be serving them much more effectively under TANF.